



United States Senator
Richard Shelby
REPORTS TO ALABAMA



**INTELLIGENCE COMMITTEE CONTINUES INVESTIGATION
INTO POSSIBLE NATIONAL SECURITY BREACHES**

This week the Senate Intelligence Committee, which I chair, met to further investigate the national security implications of advanced satellite technology exports to China, as well as covert Chinese efforts to influence U. S. policy.

While most of our hearings have been held in closed session to protect sensitive intelligence sources and methods, as well as information pertaining to two ongoing criminal investigations, I am pleased that we were able to hold a public hearing on July 15, to consider a subject of great significance to our investigation. We examined how effectively the U. S. government monitors the interaction between U. S. and Chinese aerospace companies before, during, and after a U. S. satellite is launched aboard a Chinese rocket, and how the U. S. tracks and safeguards sensitive U. S. technology in the process.

As part of the Committee's investigation, we have uncovered what I believe to be systemic problems with U. S. export policies, including flaws in the process for screening license applications and the episodic and uncoordinated involvement of the national security community. As our investigation continues, we will examine all satellite exports to China and associated national security issues and I expect that we will develop further recommendations to better safeguard sensitive U. S. technology.

The President has said that the waiver process is a routine matter, but I disagree. Others have said that launching U. S. satellites on Chinese rockets is no more serious than sending a package through Federal Express. Again, I disagree. The President's National Security Advisor, Samuel R. Berger, said in early June that "the satellites exported to China for launch are not used for military purposes, nor do they result in the transfer of missile technology." Clearly, this has not been the case.

I cannot be comfortable with the process of launching U. S. satellites in China until we have adequate controls in place to prevent the Chinese military from benefitting — which brings us to the subject of our most recent hearing.

The Director of the Defense Technology Security Administra-

tion reviewed for the committee the history and implementation of the monitoring and safeguards process. As many of us had suspected, the DTSA director described a process inadequate to prevent technology transfers to China—as we discovered in the case of the Loral and Hughes companies.

After hearing from DTSA, I remain concerned that DTSA does not have the resources needed to carry out its monitoring mission, that it is forced to take funds "out of hide" and is dependent on volunteer monitors. I am concerned that with the transfer of authority over this process to the Commerce Department, the priority is given to commercial concerns and the fiscal "bottom line", rather than national security interests. And, I am concerned that with the transfer of authority came confusion which led to at least three Chinese launches of Hughes-built satellites that were not monitored at all.

While some may question the significance of all of these issues, and the importance of our investigation, I say that nothing is more important than the long term security of our Nation. China — one of the last bastions of dictatorial communism — certainly poses long term challenges to our national security. I can think of at least four examples: First, American cities are within range of the Chinese military's nuclear arsenal and within minutes of being targeted, even though President Clinton recently secured a very symbolic gesture from President Jiang Zemin in the agreement to de-target Chinese nuclear missiles. Improving the reliability and accuracy of these missiles is not in our national security interests.

Second, the U. S. military may one day face a very serious confrontation with China in East Asia, much more serious than what occurred in the Straits of Taiwan just a few years ago. Technical information that improves the manufacturing process of Chinese guidance systems that can be used on a wide range of missiles, including cruise missiles, is not in our national security interests.

Third, while the U. S. military may not be forced to directly confront the Chinese military in the near future, it may well face adversaries such as Iran or North Korea, which have benefitted from

China's proliferation of weapons of mass destruction and missile technology. Helping to grow a Chinese industry of reliable, low cost launch services that can be used to train other countries in the business of cheap missile systems is not in our national security interests.

And finally, let us not forget that Chinese military leaders themselves have recently said that the real way to destroy the U. S. is not with nuclear war, but with information war. One of the armaments on the information battlefield is a communications satellite. Allowing the Chinese to have access to our advanced communications systems, without the necessary safeguards to prevent them from being used by the Chinese military to launch an information attack, is not in our national security interests.

The recent summit in Beijing produced great ceremony, with much talk of partnership, but little talk of substance. Until the Chinese take concrete actions to institute democratic freedoms, adhere to the principles of basic human rights, and end their practice of proliferating weapons of mass destruction and missile technology, we should do nothing that helps improve the Chinese military, or the rogue regimes that benefit from Chinese proliferation. If we do, it represents harm to our national security. This is why our continuing investigation is so important.

One final thought — the process of technology export is all about balancing threats to our national security against benefits to our commercial industry. We have seen a number of documents that record the benefits to our commercial industry and the great pressures that industry has brought to bear to ease export controls. We have not seen many documents that record the debate associated with threats to our national security.

The Committee has asked for such documents, but the deadline we set for receipt of these documents has come and gone. I hope that this is not an indication that the Administration did not have such a debate. If it is not, then I would think that the Administration would make such documents available immediately so that we can factor them into our investigation.



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